



PORT ERIN BIOPHARMA INVESTMENTS LIMITED

INTERIM REPORT 2012

Registration number: Isle of Man 006874V

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

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PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Corporate information

Company's website	www.porterinbiopharma.com
Registered Office	18 Athol Street Douglas Isle of Man, IM1 1JA British Isles
Registered Agent	Greystone Trust Company Limited 18 Athol Street Douglas Isle of Man, IM1 1JA British Isles
Nominated Adviser	Libertas Capital Corporate Finance Limited 17c Curzon Street London W1J 5HU United Kingdom
Broker / Nominee	Cowen and Company, LLC 599 Lexington Avenue New York, NY 10022
Registrar	Capita Registrars (Isle of Man) Limited 3 rd floor, Exchange House 54 – 62 Athol Street Douglas Isle of Man, IM1 1JD
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man, IM99 1HN
Legal Advisers	<i>As to Isle of Man Law</i> Long & Humphrey The Old Courthouse Athol Street Douglas Isle of Man, IM1 1LD
Legal Advisers	<i>As to English Law</i> Kerman & Co. LLP 200 Strand London, WC2R 1DJ
Depository	Capita Registrars (Isle of Man) Limited 3 rd floor, Exchange House 54 – 62 Athol Street Douglas Isle of Man, IM1 1JD
Administrator	Burnbrae Limited 4 th floor, Viking House Nelson Street Douglas Isle of Man, IM1 2AH

Chairman's statement

Introduction

I have great pleasure in presenting the Interim Results for the period ending 31 December 2012.

The realization that the biosciences as applied to medicine are set right in the middle of fortuitous trends, including rapidly ageing populations, emerging market growth and remarkable technological advance has propelled many drug stocks to new highs. In addition, an increasing flow of venture capital and merger and acquisition activity has characterized the 2012 period.

Financial Review

Despite taking some time to become fully invested in what proved to be a bull market for pharma shares, and also considering that the listing costs had to be absorbed, the Company continues to show a respectable profit.

In the six month period, our investment income was £72,881 (2011: £157,241). Continuing our policy of keeping controllable costs to the absolute minimum, this resulted in an operating profit of £4,077 (2011: loss of £166,373). Adding in the interest received, our total comprehensive income was £9,866 (2011: loss of £164,844). Thus the basic and diluted earnings per share were £0.0003 (2011: negative 0.0101). Please note that the figures in parenthesis are not directly comparable as the 2011 figures were for the extended period from 3 May 2011 - the date of incorporation - to 31 December 2011.

Our invested assets at fair value were £3,031,135 (2011: 1,809,046), still leaving a cash float of £101,241 (2011: £1,016,218). After the addition of receivables of £9,035 (2011: £19,144), our total assets stood at £3,141,411 (2011: £2,844,408). Following the deduction of share issue costs, our share premium was £2,699,013 (2011: £3,000,967) and including retained earnings of £435,075 (2011: negative £164,844) and payables, our total equity and liabilities stood at £3,141,411 (2011: £2,844,408). Again, the figures in parenthesis are not directly comparable; but notwithstanding, the overall growth in assets was 10.44% for the period.

Thus the net asset value per share at 31 December 2012 was 9.5 pence (2011: 8.6 pence), an increase of 10.5%.

Strategy and Outlook

I expect this trend of profitability to continue and remain very optimistic about the portfolio that we have assembled for our shareholders, amongst which my own interests are the largest. As you know, in our efforts to minimize operational cost, we are not and for the immediate future do not intend to, charge any ongoing management fee. The portfolio is constructed to mirror as far as is possible the investments that I make as part of my own investment strategy, and as such reflects a balanced mix of larger companies, combined with more speculative positions. Among those shares that have performed well, **Medivation**, which has commercialized a new prostate cancer therapy, shines out, as do **Roche Holdings** and **Gilead Sciences**. **Gilead Sciences** has a remarkable dominance of the HIV space and is likely to repeat that hegemony with its new suite of Hepatitis C products. **Onyx Pharmaceuticals** has also been a standout, with its new drug for multiple myeloma, **Kryopolis**® seeing very rapid acceptance.

For the present, we have high hopes for a number of our investments, including **Plethora Solutions Holdings**, whose drug for premature ejaculation is edging closer to commercialization; additionally, **Summit Corporation** is engaged in the development of a therapy for **Duchenne** muscular dystrophy, an inevitably fatal disease affecting 1 in 5,000 boys. I am on the board of both these companies.

Among larger companies, I am bullish on **Bristol-Myers Squibb**, whose new anti-thrombotic agent, **Eliquis**®, partnered with **Pfizer**, is likely to be a very successful drug, with our estimate of annual sales worldwide reaching US\$ 5 billion.

Chairman's statement (continued)

Strategy and Outlook (continued)

Finally, **Synergy Pharmaceuticals**, in which we have an investment, has remarkable prospects with its soon to be commercialized product for chronic constipation, and **TrovaGene** has interesting prospects with its diagnostics business.

I, together with our team of analysts, have attended multiple industry events in the past year, all at no cost to Port Erin Biopharma, and have met with over 100 companies. We recognize that occasionally we will have wipe-outs in individual companies: such is the nature of the drug discovery business, but we expect to make up for that with the winners that we hope to have backed, where many multiples of return may be anticipated. In addition, with a considerable percentage of the portfolio invested in larger, cash-flow rich firms, spread across multiple markets, we should mitigate the extreme volatility that is a characteristic of the smaller to medium sized companies in the sector. We will also reap the rewards of dividend flows which will grow over the years.

In conclusion, I have taken the opportunity of market weakness and the discount to net asset value to add to my holdings in our Company and will continue to do so as far as I am able. I remain very optimistic about the prospects for our business. Indeed, as of today, we continue to outperform all relevant indices.

Jim Mellon
Chairman

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Statement of comprehensive income

	<i>Notes</i>	Period ended 31/12/2012 (unaudited)	[*] Period ended 31/12/2011 (unaudited)	[#] Period ended 30/06/2012 (audited)
		£	£	£
Investment Income	3	72,881	157,241	510,515
Operating expenses				
Directors' fees	2,5	(5,000)	(5,000)	(10,000)
Other costs	4	(57,231)	(327,363)	(84,062)
Foreign exchange (losses)/gains		(6,573)	8,749	6,295
Profit/(loss) from operating activities	5	4,077	(166,373)	422,748
Interest received		5,789	1,529	2,460
Profit/(loss) before taxation		9,866	(164,844)	425,208
Taxation		-	-	-
Profit/(loss) for the period		9,866	(164,844)	425,208
Other comprehensive income		-	-	-
Total comprehensive income/(loss) for the period		9,866	(164,844)	425,208
Basic and diluted earnings per share	11	0.0003	(0.0101)	0.0181

* Period from 3 May 2011 (date of incorporation) to 31 December 2011.

Period from 3 May 2011 (date of incorporation) to 30 June 2012.

The Directors consider that the Company's activities are continuing.

The notes on pages 8 to 16 form part of these financial statements.

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Statement of financial position

	<i>Notes</i>	31/12/2012 (unaudited)	31/12/2011 (unaudited)	30/06/2012 (audited)
		£	£	£
Current assets				
Financial assets at fair value through profit or loss	7	3,031,135	1,809,046	2,909,183
Trade and other receivables		9,035	19,144	9,580
Cash and cash equivalents		101,241	1,016,218	237,391
Total assets		3,141,411	2,844,408	3,156,154
Equity and liabilities				
Capital and reserves				
Share capital	6	33	33	33
Share premium	6	2,699,013	3,000,967	2,699,013
Retained earnings/(accumulated loss)		435,075	(164,844)	425,208
		3,134,121	2,836,156	3,124,254
Current liabilities				
Trade and other payables	9	7,290	8,252	31,900
Total equity and liabilities		3,141,411	2,844,408	3,156,154

The notes on pages 8 to 16 form part of the financial statements.

These financial statements were approved by the Board of Directors on 26 March 2013 and were signed on their behalf by:

Denham Eke

Director

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Statement of changes in equity

	Share Premium	Share Capital	Retained profit 31/12/2012 (unaudited)	Retained profit 31/12/2011 (unaudited)	Retained profit 30/06/2012 (audited)
	£	£	£	£	£
Balance brought forward	2,699,013	33	425,208	-	-
Total comprehensive income for the period	-	-	9,866	(164,844)	425,208
Transactions with owners:					
Shares issued	-	-	-	3,001,000	3,001,000
Share issue costs	-	-	-	-	(301,954)
Balance carried forward	<u>2,699,013</u>	<u>33</u>	<u>435,075</u>	<u>2,836,156</u>	<u>3,124,254</u>

The notes on pages 8 to 16 form part of these financial statements.

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Statement of cash flows

	Notes	*	#
	Period ended 31/12/ 2012 (unaudited)	Period ended 31/12/ 2011 (unaudited)	Period ended 30/06/2012 (audited)
	£	£	£
Cash flows from operating activities			
Profit/(loss) for the period	9,866	(164,844)	425,208
Adjusted for:			
Interest received	(5,789)	(1,529)	(2,460)
Realised and unrealised gains	(66,341)	-	(494,066)
	<u>(62,264)</u>	<u>(166,373)</u>	<u>(71,318)</u>
Operating profit before changes in working capital	(62,264)	(166,373)	(71,318)
Decrease/(increase) in receivables	545	(19,144)	(9,580)
(Decrease)/increase in payables	(24,610)	8,252	31,900
	<u>(86,329)</u>	<u>(177,265)</u>	<u>(48,998)</u>
Net cash outflow from operating activities	(86,329)	(177,265)	(48,998)
Cash flows from investing activities			
Purchase of investments	(532,831)	(1,809,046)	(3,775,097)
Proceeds from sale of investments	483,004	-	1,359,980
Interest received	6	1,529	2,460
	<u>(49,821)</u>	<u>(1,807,517)</u>	<u>(2,412,657)</u>
Cash flows from financing activities			
Share issues	6	3,001,000	3,001,000
Share issue costs	-	-	(301,954)
	<u>-</u>	<u>3,001,000</u>	<u>2,699,046</u>
(Decrease)/increase in cash and cash equivalents	(136,150)	1,016,218	237,391
Cash and cash equivalents at beginning of period	237,391	-	-
Cash and cash equivalents at the end of period	101,241	1,016,218	237,391

* Period from 3 May 2011 (date of incorporation) to 31 December 2011.

Period from 3 May 2011 (date of incorporation) to 30 June 2012.

The notes on pages 8 to 16 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

Port Erin Biopharma Investments Limited is a Company domiciled in the Isle of Man. The Company's strategy is to create value for Shareholders through investing in companies that have the potential to generate substantial revenues through the development of biopharmaceutical drugs.

The principal accounting policies are set out below.

a) *Statement of compliance*

The financial statements are prepared on the historical cost basis except for the valuation of financial assets and liabilities at fair value through profit or loss and in accordance with International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 26 March 2013.

b) *Basis of preparation*

Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

These accounts adopt the same accounting policies as those recorded in the audited annual accounts to 30 June 2012.

Going concern

The financial statements have been prepared on a going concern basis, taking into consideration the level of cash and cash equivalents held by the Company. The Directors have a reasonable expectation that the Company will have adequate resources for its continuing existence and projected activities for the foreseeable future, and for these reasons, continue to adopt the going concern basis in preparing the financial statements for the period ended 31 December 2012.

Functional and presentation currency

These financial statements are presented in Pound Sterling which is the Company's functional currency.

Notes to the financial statements (continued)

2 Directors' fees

The fees of Directors who served during the period to 31 December 2012 were as follows:

	31/12/12 £ (unaudited)	31/12/11 £ (unaudited)	30/06/2012 £ (audited)
James Mellon	-	-	-
Tom Winniffrith (resigned 30/05/2012)	-	-	-
Nicholas James Woolard	5,000	5,000	10,000
Denham Eke (appointed 30/05/2012)	-	-	-
	<hr/> 5,000	<hr/> 5,000	<hr/> 10,000

On 6 May 2011, Shellbay Investments Limited entered into a letter of appointment with the Company to provide the services of James Mellon as Non-Executive Chairman of the Company. The letter of appointment was for an initial period of twelve months, from 16 May 2011 and was renewed on 1 June 2012, and may be terminated on not less than one month's notice given by either party at any time. The letter of appointment contains provisions for early termination, *inter alia*, in the event of a breach by James Mellon. Remuneration under the letter of appointment shall be payable to Shellbay Investments Limited and shall be satisfied by the issue of such number of Ordinary Shares equivalent to 15.0 per cent. of any increase in the Net Asset Value of the Company over each quarterly period. There are no provisions providing for any benefit to Shellbay Investments Limited or James Mellon on the termination of the engagement. The Director of Shellbay Investments Limited has agreed to waive any share-based payments until the Net Asset Value of each share exceeds 10.00 pence.

On 6 May 2011 Nicholas James Woolard entered into a letter of appointment with the Company to provide services as a Non-Executive Director of the Company. The letter of appointment is for an initial period of twelve months, from 16 May 2011, and may be terminated on not less than three months' notice given by either party to the other at any time. The letter of appointment contains provisions for early termination, *inter alia*, in the event of a breach by Nicholas James Woolard. Remuneration under the letter of appointment shall be an annual fee of £10,000 payable on a quarterly basis. There are no provisions providing for any benefit to Nicholas James Woolard on the termination of the engagement.

Denham Eke was appointed a Director on 30 May 2012 and currently receives no remuneration for providing his services.

At present, there are no other fees due by the Company in respect of investment management services.

Notes to the financial statements (continued)

3 Investment income

	31/12/2012 £ (unaudited)	31/12/2011 £ (unaudited)	30/06/2012 £ (audited)
Dividend income	6,541	1,291	16,448
Net realised gains on sale of investments	50,529	37,714	226,308
Net unrealised gains on investments	15,812	118,236	267,759
	<u>72,881</u>	<u>157,241</u>	<u>510,515</u>

4 Other costs

	31/12/2012 £ (unaudited)	31/12/2011 £ (unaudited)	30/06/2012 £ (audited)
Auditors' remuneration for the current period	7,200	-	14,400
Bank charges	119	550	826
Insurance	3,176	2,815	5,939
Marketing	72	-	1,000
Printing and stationery	-	680	-
Professional fees	46,664	323,378	61,857
Sundry expenses	-	40	40
	<u>57,231</u>	<u>327,363</u>	<u>84,062</u>

The Company has no employees other than the Directors.

5 Profit from operating activities

Profit from operating activities is stated after charging:

	31/12/2012 £ (unaudited)	31/12/2011 £ (unaudited)	30/06/2012 £ (audited)
Auditors' fees	7,200	-	14,400
Directors' fees	5,000	5,000	10,000
	<u>12,200</u>	<u>5,000</u>	<u>24,400</u>

Notes to the Financial Statements (continued)

6 Share capital and share premium

Each share in the Company confers upon the shareholder:

- the right to one vote at a meeting of the shareholders or on any resolution of shareholders;
- the right to an equal share in any dividend paid by the Company, and
- the right to an equal share in the distribution of the surplus assets of the Company on its liquidation

The Company may by resolution of Directors redeem, purchase or otherwise acquire all or any of the shares in the Company subject to regulations set out in the Company's Articles of Association.

	31/12/2012 £ (unaudited)
<i>Authorised</i>	
2,000,000,000 Ordinary shares of £0.000001	2,000
<i>Issued</i>	
33,000,000 Ordinary shares of £0.000001 each	33
	33
 <i>Share premium</i>	
3 shares issued at incorporation	997
30,000,000 shares issued on 15 September 2011	2,999,970
Share issue costs	(301,954)
	2,699,013

On incorporation the authorised share capital of the Company was £2,000 divided into 2,000 ordinary shares of £1 each. At incorporation, 3 ordinary shares were subscribed for at £333.33 each, resulting in share premium of £997.

On 9 May 2011, pursuant to a Director's resolution, the authorised share capital was divided into 2,000,000,000 ordinary shares of £0.000001 each. Following this, the shares issued at incorporation were sub-divided by 1,000,000 resulting in there being 3,000,000 ordinary shares in issue at this date.

On 15 September 2011 the Company issued 30,000,000 ordinary shares at a price of £0.10 each resulting in share premium of £2,999,970.

Capital management

The Company manages its capital to maximise the return to shareholders through the optimisation of equity. The capital structure of the Company as at 31 December 2012 consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed.

The Company manages its capital structure and makes adjustments to it in the light of economic conditions and the strategy approved by shareholders. To maintain or adjust the capital structure, the Company may make dividend payment to shareholders, return capital to shareholders or issue new shares and release the share premium account. No changes were made in the objectives, policies or processes during the period under review.

Notes to the Financial Statements (continued)

7 Financial assets at fair value through profit or loss

	31/12/2012 £
Quoted	2,709,427
Unquoted	321,708
	<u>3,031,135</u>
Equities	3,007,987
Warrants	23,148
	<u>3,031,135</u>

8 Financial instruments

Financial Risk Management

The Company has risk management policies that systematically view the risks that could prevent it from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic and business planning. The Directors have identified each risk and are responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

The Company's principal financial instruments consist of cash, receivables and payables arising from its operations and activities. The main risks arising from the Company's financial instruments and the policies for managing each of these risks are summarised below.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its obligations. The Company's credit risk is primarily attributable to investments, receivables and cash balances with the maximum exposure being the reported balance in the statement of financial position. The Company has a nominal level of debtors and as such the Company believes that the credit risk is minimal. The Company holds available cash with licensed banks which have a strong history. The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount 31/12/2012 £	Carrying amount 31/12/2011 £	Carrying amount 30/06/2012 £
Investments and loans			
Quoted	2,709,427	1,809,046	2,802,587
Unquoted	321,708	-	42,563
Cash and cash equivalents	101,241	1,016,218	237,391
	<u>3,132,376</u>	<u>2,825,264</u>	<u>3,082,541</u>

Notes to the Financial Statements (continued)

8 Financial instruments (continued)

Market price risk

Market price risk is the risk that the market price will fluctuate due to macro-economic issues such as changes in market factors specific to that security, market interest rates and foreign exchange rates.

The Company is exposed to significant market price risks as financial instruments recognised are linked to market price volatility.

A 1% increase/decrease in market value of investments would increase/decrease equity and profit by £30,311.

Cash flow and funding risk

The Company is exposed to liquidity risk to the extent that it holds investments that it may not be able to sell quickly at close to fair value.

The risk is managed by the Company by means of cash flow planning to ensure that future cash requirements are anticipated and, where financial instruments have to be sold to meet these requirements, the process is carried out in a controlled manner intended to minimise the liquidity risk involved.

Interest rate risk

A significant share of the Company's assets is comprised of cash held at banks. As a result, the Company is subject to risk due to fluctuations in the prevailing level of market interest rates. However, income earned from bank interest is not considered material to the Company's performance or financial position.

Fair values of financial instruments

At 31 December 2012 the carrying amounts of cash resources, trade and other receivables, and trade and other payables approximate fair value due to their short-term maturities.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to financial assets and liabilities that are denominated in a number of currencies.

GBP equivalents as at 31 December 2012

	Investments £	Trade & other receivables £	Cash at bank £	Total by currency £
GBP	705,687	9,039	101,241	815,967
USD	2,034,349	-	-	2,034,349
EUR	32,190	-	-	32,190
DKK	50,786	-	-	50,786
ILS	-	-	-	-
JPY	140,762	-	-	140,762
SEK	67,361	-	-	67,361
	<u>3,031,135</u>	<u>9,039</u>	<u>101,241</u>	<u>3,141,415</u>

Notes to Financial Statements (continued)

8 Financial instruments (continued)

GBP equivalents as at 31 December 2011

	Investments £	Trade & other receivables £	Cash at bank £	Total by currency £
GBP	532,053	19,144	1,015,176	1,566,373
USD	1,232,055	-	1,042	1,233,097
EUR	-	-	-	-
DKK	-	-	-	-
ILS	44,938	-	-	44,938
JPY	-	-	-	-
SEK	-	-	-	-
	<u>1,809,046</u>	<u>19,144</u>	<u>1,016,218</u>	<u>2,844,408</u>

GBP equivalents as at 30 June 2012

	Investments £	Trade & other receivables £	Cash at bank £	Total by currency £
GBP	424,240	9,580	120,905	554,725
USD	2,016,875	-	108,089	2,124,964
CAD	30,057	-	-	30,057
CHF	160,387	-	4,411	164,798
DKK	73,848	-	1,529	75,377
JPY	140,607	-	2,457	143,064
ILS	-	-	-	-
SEK	63,169	-	-	63,169
	<u>2,909,183</u>	<u>9,580</u>	<u>237,391</u>	<u>3,156,154</u>

The following significant exchange rate applied during the period:

	Average rate for active period USD/GBP	Period end rate USD/GBP
31/12/2012	1.5988	1.6168
31/12/2011	1.6012	1.5428
30/06/2012	1.5909	1.5617

Sensitivity analysis

A 5% per cent. strengthening of Sterling against the US Dollar at period end would have decreased equity and profit for the period by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity	Profit or loss
31/12/2012	(£96,424)	(£96,424)
31/12/2011	(£86,103)	(£86,103)
30/06/2012	(£138,558)	(£138,558)

Notes to Financial Statements (continued)

8 Financial instruments (continued)

A 5% percent weakening of Sterling against the US Dollar at period end would have increased equity and profit for the period by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity USD	Profit or loss USD
USD	£101,307	£101,307

Fair value hierarchy measurement at 31 December 2012

Investments in securities at fair value

	Total	Quoted prices In active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable Inputs (level 3)
Investments				
Quoted	2,709,427	2,709,427	-	-
Unquoted	321,708	-	-	321,708
	<u>3,031,135</u>	<u>2,709,427</u>	<u>-</u>	<u>321,708</u>

Fair value hierarchy measurement at 31 December 2011

Investments in securities at fair value

	Total	Quoted prices In active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable Inputs (level 3)
Investments				
Quoted	1,809,046	1,809,046	-	-
Unquoted	-	-	-	-
	<u>1,809,046</u>	<u>1,809,046</u>	<u>-</u>	<u>-</u>

Fair value hierarchy measurement at 30 June 2012

Investments in securities at fair value

	Total	Quoted prices In active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable Inputs (level 3)
Investments				
Quoted	2,802,587	2,802,587	-	-
Unquoted	42,563	-	-	42,563
	<u>2,845,150</u>	<u>2,802,587</u>	<u>-</u>	<u>42,563</u>

There have been no disposals of investments classified as level 3 during the period.

Notes to Financial Statements (continued)

9 Trade and other payables

	31/12/2012 £ (unaudited)	31/12/2011 £ (unaudited)	30/06/2012 £ (audited)
Provision for audit fee	7,200	-	14,400
Other	-	-	17,500
	<u>7,200</u>	<u>-</u>	<u>31,900</u>

10 Share warrants

At the date of admission to AIM, the Company issued 30,000,000 non-transferable warrants, entitling the holder to subscribe for one new ordinary share for every placing share, and which will not be admitted to trading on AIM. The warrants may be exercised for 12.5 pence at any time within two years of the date of issue. The warrant exercise is either at the option of the holder or at the option of the Company, in the event that the closing price of the ordinary shares is more than 20 pence for five consecutive trading days. In considering the share subscription price, the lack of historic share price performance data, and the price and conditions attaching to exercise, the Directors deem the warrants to have no separate value from the shares issued on the Company's admission to AIM.

The total number of share warrants in issue at listing is set out below:

Recipients	Grant Date	Term in Years	Exercise Price	Issued	Fair value of warrants at issue
Placing subscribers	9 September 2011	2	£0.125	30,000,000	-

11 Basic and diluted earnings per share

The calculation of basic earnings per share of the Company is based on the profit for the period of £9,866 and the weighted average number of shares of 33,000,000 in issue during the period.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares such as warrants and options. There is no dilutive effect at 31 December 2012 because the warrants are not able to be exercised until a market-based criterion is satisfied. This criterion had not been satisfied at period end.

12 Commitments and contingent liabilities

There are no known commitments or contingent liabilities as at the period end.

13 Events after the reporting date

There have been no material events since the reporting date that require disclosure in the interim financial statements.